HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Regina CMA

Canada Mortgage and Housing Corporation

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NEW HOME MARKET

Starts forecast to be over ten year average

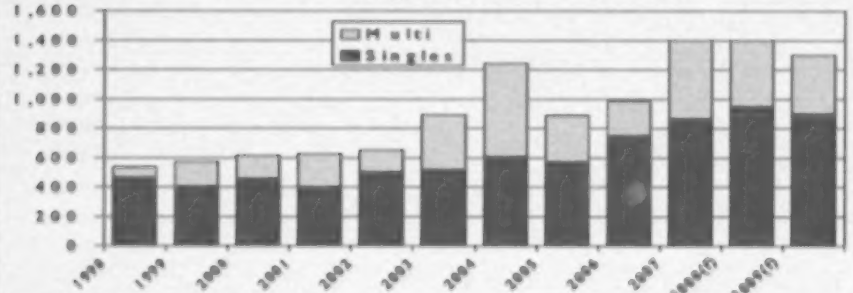
After an outstanding year for single-detached starts in 2007, CMHC is forecasting construction will advance further to 950 single starts in 2008 before slowing slightly to 900 housing units in 2009. Our forecast is well over the ten-year average for single-detached housing production in the capital. Rising employment and in-migration will support housing demand in 2008 and 2009. A scarcity of resale listings is also contributing to the vigorous level of single-detached demand. Buyers who would normally purchase an existing home have focused on the new housing market due to lack of supply on the resale side. (see Figure 1).

The demand for more land at a lower price has pushed housing construction outside the city limits. The communities that have benefited most from this activity are located close to areas of employment within

Figure 1

Single and Multiple Housing Starts

Regina CMA



Source: Source: CMHC, CMHC Forecast (f)

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the city, allowing homebuyers to purchase a home at a lower price and with lower yearly taxes yet be within a short commute to their place of work. The city of Regina has captured 81 per cent of the total housing starts which occurred in the Regina CMA. This is behind the 2007 year-end figure of 88 per cent. In the first quarter of 2008, total starts in the area surrounding the city have increased to 53 units compared to 13 in the comparable period of 2007.

White City led the way with 29 single housing starts in the first quarter of 2008. All communities outside the city of Regina have seen an increase in housing starts in the first quarter of 2008 compared to the previous year.

The total supply of units, including those in the construction stage as well as those completed and ready for sale, ended the first quarter up 42 per cent reaching 1,231 units compared to the 865 units seen at the end of March 2007. Single unit supply increased by 37 per cent compared to the first quarter of 2007 and there was a 51 per cent increase in the total supply of multiples. The increase in the supply of multiple units was mainly due to the large number of apartment units under construction at the end of the March 2008.

Currently, the supply of single-detached homes (defined as units under construction and units completed and unoccupied) is sufficient to last almost 12 months, little changed from 14 months at this time last year. Though supply has increased, the absorption rate has adjusted upward to compensate.

Single-detached absorptions have picked up in the first three months of 2008, as units started in early 2007 near completion. Accumulated single absorptions are up 62 per cent compared to this time in 2007.

The hectic pace of starts in 2007 and the first quarter of 2008 combined with a scarcity of skilled trades people have contributed to an extraordinary number of units under construction and strong upward price pressure. At the end of March, about 700 single-detached units were recorded at various stages of construction. The number of units under construction has been above the 600 unit level since July 2007. Prior to this, single units under construction have not exceeded this level since September 1983.

Average price to reach $366,000 in 2008 and $403,000 in 2009

A strong economy, in-migration and a scarcity of resale listings combined with a shortage of skilled labour has driven the average price of new homes up by 28 per cent in 2007. In 2008, the price increase will moderate to 20 per cent. In 2009, there will be a further slowdown in the pace when a 10 per cent increase will be seen.

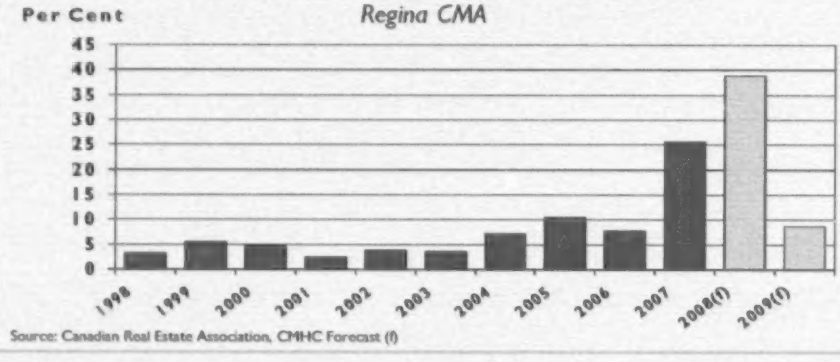
Rising labour costs combined with higher land development costs will be the primary contributors to the upswing in average price. Lengthy building periods due to labour shortages will continue to plague the industry and further contribute to price increases. Price increases will moderate in 2009 as increasing competition from the existing market and weaker migration impacts demand.

Based on the absorption of just over 640 single units in 2007, the average selling price hit $305,000. So far in 2008, the average selling price is just over $314,000, a 14 per cent increase over the 2007 first quarter figure.

Regina home buyers have shown a willingness to accept higher-priced homes. In 2007, homes in all price

Figure 2

Single and Multiple Housing Starts



Source: Canadian Real Estate Association, CMHC Forecast (f)

ranges in excess of $250,000 have seen an increase in the number of absorptions while lower price ranges have declined. The same is true of the proportion of total sales occurring in the price ranges over $250,000. At the end of the first quarter, absorptions in the $300,000 to $349,999 range, for example, have captured more than 26 per cent of the total absorptions in 2008, up from 20 per cent in 2007.

New House Price Index up more than 28 per cent in first quarter of 2008

Statistics Canada's New House Price Index (NHPI), is a measure of the increase in the price of a house where the detailed specifications pertaining to each house remain the same between two consecutive periods. In 2007, the NHPI increased 22 per cent, the largest annual increase on record.

Statistics Canada reports that, in the first two months of 2008, the Regina NHPI has been one of the highest in the nation with a year-over-year increase in the index of 28.6 per cent. Most of the increase originated in the price of the building which has escalated 30.4 per cent. We forecast an increase of 15 per cent in 2008, moderating to 10 per cent in 2009.

Multi-family housing starts to slip in 2008 and 2009

In 2008, multiple starts will fall back to 450 units and slip 11 per cent to 400 units in 2009. Although this represents a decline, the 2008 starts forecast will be well above the 10-year average starts figure of approximately 286 starts annually.

As the proportion of empty-nesters and seniors in the population grows, demand from this group will encourage new multi-family condominium projects to come on stream. These two demographic groups are the chief source of demand for multiple dwellings focusing on condominium apartments and row housing but demand from first-time homebuyers is also growing as prices of new single-detached homes escalate.

Year-to-date multi starts have fallen 22 per cent off the pace seen last year at that time. The slippage in activity is found in row housing starts activity.

Multiple units under construction up more than 58 per cent

The elevated number of multi-family starts in 2007 has produced a large addition to units in supply. Most of these units are in the construction stage. In fact, the total number of units in the construction stage is up more than 58 per cent in excess of the corresponding 2007 figure. While apartment and semi-detached dwelling types have seen an increase in the number of units in the construction stage, row dwelling types are down due to swift absorption of these units.

There have been ten semi-detached units absorbed in 2008 compared to two units in the first quarter of 2007. Row units have seen 46 row units absorbed in early 2008 compared to 36 units absorbed in the period of 2007. There were no apartment absorptions compared to nine units absorbed by the end of March 2007.

Multiple selling prices up sharply

Row condominiums are seeing average prices of close to $208,000 in the early part of 2008, up from the average price of approximately $150,000 recorded in 2007. The median price (or half way point) for sales is about $166,000 suggesting there are a large number of absorptions in the lower price ranges combined with a few extreme prices at the upper end. First-time homebuyers faced with rising prices and scarce inventory in the resale market are, no doubt, turning to the new row housing market.

RESALE MARKET

Record-breaking sales in 2007 and 2008 but listings on the rise

Following the record-breaking year in 2007, existing home sales are expected to reach even higher heights in the coming years. Sales in 2008 are anticipated to set a new record with 4,400 sales, before slipping to 4,200 units in 2009. Despite the modest decline in 2009, sales will still be much higher than the ten year average. The latest (February) data available indicates actual sales were up 28 per cent on a year-to-date basis while seasonally-adjusted sales were up 16 per cent on a monthly basis. In 2009, sales will fall off slightly due to the sharp escalation in price that has occurred over 2007 and 2008.

Demand for housing will continue to be supported by Saskatchewan's growing economy with Regina making strong gains in net-migration, employment, and average household incomes. Solid equity growth from the past few years is providing owners an opportunity to refinance or upgrade their homes, and rising rents continue to encourage first-time buyers to consider homeownership as an alternative. The rapidly escalating prices in the new housing market are also turning prospective buyers to the resale market.

On the supply side, the number of active listings continues to fall, not due to a lack of new listings but as a result of unprecedented demand for housing. Monthly active listings, as provided by the Association of Regina Realtors®, have been declining year over year since October 2006 and as of February 2008 there were 483 listings, down 19 per cent from a year earlier. There has been a steady flow of new listings throughout 2007 and at the start of 2008. As of February, the average number of new listings per month was 333, up 24 per cent from a year earlier.

The rising number of sales and the limited number of listings has reduced the months of housing supply and pushed home buyers to act more quickly than in the past. At the end of February, the supply of housing had fallen to less than 2 months, well below the historical average. Homes in 2007 sold 30 per cent faster than in 2006, and this trend is expected to continue moving in 2008.

With homes being sold at near record paces coupled with a limited number of active listings, average prices are expected to make significant gains in 2008. The average annual resale price in 2007 saw a record increase of 25.6 per cent. Not to be outdone, prices in 2008 are forecast to rise by another 38.9 per cent, bringing the average price to $230,000. In 2009, price growth is expected to be less pronounced in response to additional listings and the strong price gains in 2007 and 2008. Affordability impacts and sticker shock will also play a role. The construction of new units is at record levels and so active listings are anticipated to increase as buyers take possession of their new home while listing there current one. By 2009, price growth is forecast to rise by nine per cent, reaching $250,000.

RENTAL MARKET

Vacancy rates see slight decline in 2008 followed by increase in 2009

Regina will see a relatively steady rental market during the forecast period with only slight variation in 2008 and 2009. Our forecast is for an average vacancy rate in apartment structures of three or more units of 1.0 per cent in the October 2008 survey and 1.2 per cent in the 2009 survey results.

Rental demand will be supported by a number of factors. The sharp increase in resale prices and continued scarcity of listings will discourage many rental households from moving to ownership. Employment gains will encourage new rental households from within the present population (children moving from parent's homes) and in-migration.

Conversion of rental properties to condominiums has been virtually stopped due to city policy of limiting these conversions in light of lower vacancy rates. This may be creating more rental demand by limiting opportunity for low income rental households to move into home ownership through purchase of these more affordable resale condominium apartments.

Lower average vacancy rates and higher incomes will encourage property owners to increase rents, especially in those areas of the city where demand and income permits. We expect the average rent for two-bedroom suites to increase to $740 monthly in 2008 and $805 monthly in 2009.

ECONOMIC OUTLOOK

Regina's growing economy will help lead job creation to its highest level since 2004. Average employment is forecast to increase by 2,000 in 2008 and by another 1,500 a year later, raising total average employment to 113,300 in 2009. In 2007, overall job creation was surprisingly weak with only 175 jobs created in the Regina CMA. All of the employment growth came from part-time positions with 2,600 part-time jobs created and 2,400 full-time jobs lost. This is a considerable turnaround compared to 2006 where all of the employment growth came from full-time positions. Despite the losses in full-time jobs, the unemployment rate reached its lowest rate on record in December at 3.9 per cent

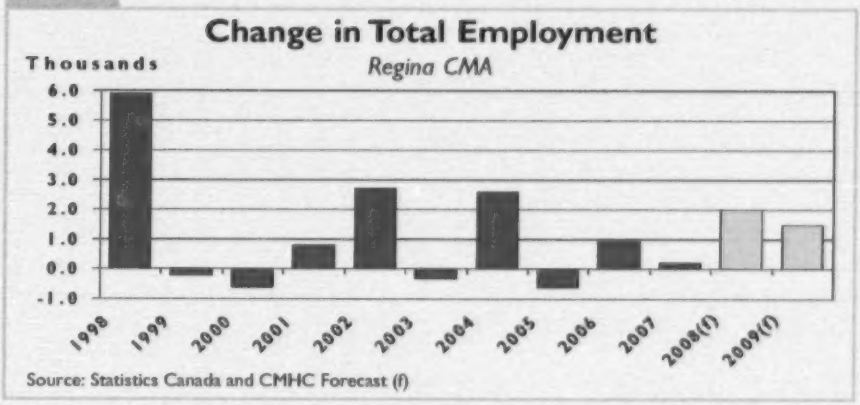
and the labour force participation rate outperformed the national average at 70.1(69.9) per cent.

In the first quarter of 2008, employment growth was up with full-time positions leading the way. With a tight labour market, businesses will find it increasingly difficult to find skilled workers. Under these conditions, the majority of job creation moving forward should be full-time. To the end of March, full-time positions were up 500 jobs and part-time positions are up 100 jobs compared to this time a year earlier. All of the full-time growth was coming from workers between the ages of 25 and 44, the typical age of first-time home buyers and move-up buyers. This bodes well for housing demand, especially in the area of home ownership.

Job creation in 2008 has thus far been dominated by the service-producing sector, up 900 new positions from a year earlier. By comparison, the goods-producing sector was down on average by 300 jobs. There has been strong employment growth in the high income sectors such as petroleum products, primary metal, and fabricated metal manufacturing. Growth in this area will help support demand for housing ownership. Job creation in the trade, retail and construction sectors have also made strong gains thus far.

Regina's vibrant economy and demand for skilled workers will continue to push wages upwards in many sectors. Trade and retail trade saw wage gains of six and five per cent, respectively, over March 2007. These two sectors make up 35 per cent of Regina's workforce. Wages in construction and manufacturing

Figure 3



Source: Statistics Canada and CMHC Forecast (f)

sectors are also up 16 and 19 per cent respectively. Upward pressures on wages in these sectors should persist as these workers are needed to help build the expanding economy and service the growing population.

To the end of February 2008, the value of building permits issued for the Regina CMA was nearly $36 million. This was down seven per cent compared to the same time a year earlier, due to sharp declines in the commercial and government sectors. The value of residential permits has escalated by 75 per cent in the first two months, undoubtedly in support of the growing demand for housing.

After a sharp rebound in 2007, net migration will remain elevated over the forecast period, reaching a high of 2,800 in 2008 before moderating to 2,100 next year. The low unemployment rate and continued wage growth will continue to attract migrants, as will Regina's comparatively lower housing costs.

MORTGAGE RATE OUTLOOK

Mortgage rates will remain relatively flat

Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Forecast Summary Regina CMA Spring 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,730	2,953	3,957	4,400	11.2	4,200	-4.5
MLS® New Listings	4,066	4,197	4,661	4,400	-5.6	4,800	9.1
MLS® Average Price ($)	123,600	131,851	165,613	230,000	38.9	250,000	8.7
New Home Market							
Starts:							
Single-Detached	572	749	864	950	10.0	900	-5.3
Multiples	316	237	534	450	-15.7	400	-11.1
Starts - Total	888	986	1,398	1,400	0.1	1,300	-7.1
Average Price ($):							
Single-Detached	218,612	247,392	305,290	366,000	19.9	403,000	10.1
Median Price ($):							
Single-Detached	213,057	242,499	291,100	360,000	-	390,000	-
New Housing Price Index (% chg.)	6.4	8.6	22.2	15.0	-	10.0	-
Rental Market							
October Vacancy Rate (%)	3.2	3.3	1.7	1.0	-	1.2	-
Two-bedroom Average Rent (October) ($)	607	619	661	740	-	805	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-	6.83	-
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-	6.97	-
Annual Employment Level	108,600	109,600	109,800	111,800	1.8	113,300	1.3
Employment Growth (%)	-0.5	0.9	0.2	1.8	-	1.3	-
Unemployment rate (%)	4.8	4.9	4.9	4.3	-	4.1	-
Net Migration [1]	-30	2,126	3,000	2,400	-	1,900	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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